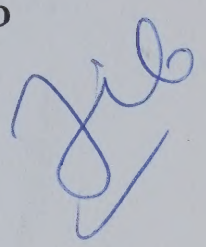


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ATLANTIC ACCEPTANCE CORPORATION LIMITED
in Receivership

260


MONTREAL TRUST COMPANY,
Receiver and Manager

FINANCIAL STATEMENTS
DECEMBER 31, 1972

PRICE WATERHOUSE & Co.

ATLANTIC ACCEPTANCE CORPORATION LIMITED
in Receivership

MONTREAL TRUST COMPANY,
Receiver and Manager

FINANCIAL STATEMENTS
DECEMBER 31, 1972

PRICE WATERHOUSE & Co.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1972

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ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

(See Note 1 for basis of preparation of combined financial statements)

	<u>December 31</u> <u>1972</u>	<u>1971</u>
Assets under the control of the Receiver and Manager:		
Cash	\$ 233,138	\$ 375,861
Short-term investments, maturing within one year, at cost plus accrued interest (including \$4,375,791 (U.S. \$4,397,780) in 1972 and \$2,473,543 (U.S. \$2,468,183) in 1971 payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	4,643,844	2,473,543
Guaranteed investment certificates of Canadian trust companies	<u>3,030,501</u>	<u>2,820,052</u>
	7,674,345	5,293,595
Long-term receivable (Note 2)	8,420,453	9,524,517
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)	1,220,558	1,690,091
Estimated income taxes recoverable	83,647	165,127
Notes and accounts receivable, at estimated realizable value	<u>36,626</u>	<u>37,473</u>
	17,668,767	17,086,664
Deduct:		
Accounts payable and accrued liabilities	549,343	751,559
Estimated interest of minority shareholders in Lucayan Beach Hotel and Development Limited (Note 1)	<u>206,000</u>	<u>188,000</u>
	<u>755,343</u>	<u>939,559</u>
Estimated realizable value of net assets under the control of the Receiver and Manager	16,913,424	16,147,105
Deduct: Accrued interest and redemption premium payable on senior debt (Note 4)	<u>43,252,195</u>	<u>42,128,261</u>
Deficiency in net assets before deducting other liabilities (forward)	\$26,338,771	\$25,981,156

	<u>December 31</u>	
	<u>1972</u>	<u>1971</u>

Deficiency in net assets before deducting other liabilities (forward)	\$26,338,771	\$25,981,156
--	--------------	--------------

Other liabilities:

Accounts payable and accrued liabilities as at June 17, 1965		
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	<u>10,630</u>	<u>10,630</u>
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Deficiency in net assets		
--------------------------	--	--

	<u>\$26,349,401</u>	<u>\$25,991,786</u>
--	---------------------	---------------------

Represented by:

Capital stock		
---------------	--	--

	\$14,455,087	\$14,455,087
--	--------------	--------------

Deficit-

As at June 17, 1965 as adjusted to end of year		
---	--	--

	30,911,103	30,705,399
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For the period from June 18, 1965 to end of year		
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	<u>9,893,385</u>	<u>9,741,474</u>
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	<u>(40,804,488)</u>	<u>(40,446,873)</u>
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	<u>\$26,349,401</u>	<u>\$25,991,786</u>
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ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

AS ADJUSTED TO DECEMBER 31, 1972

	<u>Year ended December 31</u>	
	<u>1972</u>	<u>1971</u>
Balance at June 17, 1965 as adjusted to beginning of year	\$30,705,399	\$57,643,416
Deduct: Adjustments during the year relating to the assets and liabilities at June 17, 1965:		
Amounts received (or estimated to be received) from collections of notes and accounts receivable in excess of their estimated realizable value at beginning of year	54,256	810,241
Increase (decrease) in estimated income taxes recoverable	(72,460)	8,430
Adjustment in 1971 in respect of settlement with unsecured creditors, after recognition of additional indebtedness of \$615,046	-	27,380,261
	<u>(18,204)</u>	<u>28,198,932</u>
	30,723,603	29,444,484
Add:		
Interim award of compensation to the Receiver and Manager (Note 6)	165,000	50,000
Legal expenses of the Receivership	22,500	860,915
Payment pursuant to the Compromise or Arrangement under the Companies' Creditors Arrangement Act	-	350,000
	<u>187,500</u>	<u>1,260,915</u>
Deficit at June 17, 1965 as adjusted to end of year	<u>\$30,911,103</u>	<u>\$30,705,399</u>

COMBINED STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1972

WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER

	<u>Year ended December 31</u>	
	<u>1972</u>	<u>1971</u>
Deficit from June 18, 1965 to beginning of year	\$ 9,741,474	\$ 8,548,744
Add: Loss for the year	<u>151,911</u>	<u>1,192,730</u>
Deficit at end of year	<u>\$ 9,893,385</u>	<u>\$ 9,741,474</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS

	<u>Year ended December 31</u>	
	<u>1972</u>	<u>1971</u>
Operating income:		
Interest on short-term investments	\$ 349,493	\$ 5,073,865
Interest on long-term receivable	771,905	881,465
Other income	<u>1,098</u>	<u>1,313</u>
	1,122,496	5,956,643
Operating expenses:		
Audit	20,986	27,016
Collection expenses	-	3,733
Management fees to G.A.C. International Acceptance Corporation Limited	7,167	7,554
Other expenses	<u>29,635</u>	<u>40,183</u>
	57,788	78,486
Foreign exchange	<u>(121,813)</u>	<u>(189,140)</u>
	(64,025)	(110,654)
Excess of operating income over operating expenses before interest on notes	1,186,521	6,067,297
Interest on notes:		
Senior debt-		
Bank advances	719	313,503
Short-term	8,156	2,489,812
Medium-term	3,401	225,558
Long-term	1,308,156	3,232,243
Subordinated debt	-	779,304
Junior subordinated debt	<u>-</u>	<u>201,607</u>
	1,320,432	7,242,027
	(133,911)	(1,174,730)
Estimated interest of minority shareholders in income of Lucayan Beach Hotel and Development Limited (Note 1)	<u>18,000</u>	<u>18,000</u>
Loss for the year	\$ <u>151,911</u>	\$ <u>1,192,730</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1972

1. Basis of preparation of combined financial statements:

The Combined Statement of Deficiency in Net Assets as at December 31, 1972 includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership;
- (b) the assets of Adelaide Acceptance Limited, Atlantic Acceptance (Toronto) Limited and Commodore Factors Limited, wholly-owned subsidiaries which are not in receivership but are under the control of the Receiver and Manager; and
- (c) the assets of the partly-owned subsidiary, Lucayan Beach Hotel and Development Limited.

The assets in the combined financial statements are stated at estimated realizable values and there have been deducted therefrom the accounts payable and accrued liabilities in respect of the two receiverships and the above subsidiaries not in receivership, and the minority interest in Lucayan, to arrive at the estimated realizable value of the net assets under the control of the Receiver and Manager which are available for creditors.

The Combined Statement of Deficit as at June 17, 1965 reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1972 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values; and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1972 reflects the cumulative results of operations of the companies in the Atlantic group carried out by or under the direction of the Receiver and Manager during that period.

The results of operations for the year ended December 31, 1972 are set out in the Combined Statement of Loss.

In combining the financial statements as described above, all intergroup assets and liabilities and income and expenses have been eliminated.

All balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$100.50) as at December 31, 1972.

2. Long-term receivable:

The long-term receivable of \$8,420,453 (U.S. \$8,462,766) is payable over a period of twelve years to 1984 and arose upon the sale in 1969 by Lucayan Beach Hotel and Development Limited of all its properties and its interest in subsidiary companies for U.S. \$12,600,000. As security, Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9%

promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan.

The promissory notes in the amount of U.S. \$2,600,000 have been paid and blended payments of principal and interest are being made in accordance with the terms of the 9% debenture.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

The following amounts are estimated to be recoverable arising out of the sale of former subsidiary companies:

	<u>1972</u>	<u>1971</u>
Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited	\$ 908,772	\$ 1,005,091
Estimated amount receivable from General Acceptance Corporation in respect of the sale of the shares of Atlantic Finance Corporation Limited	<u>311,786</u>	<u>685,000</u>
	<u>\$ 1,220,558</u>	<u>\$ 1,690,091</u>

4. Accrued interest and redemption premium payable on senior debt:

The holders of senior notes were paid the principal amount of their notes during 1971. The accrued interest and redemption premium payable at December 31, 1972 in respect of the various classes of the senior notes is set out below:

	<u>1972</u>	<u>1971</u>
Accrued interest on short and medium-term notes:		
Bank advances, secured by short-term notes-		
Payable in Canadian dollars	\$ 886,372	\$ 886,083
Payable in United States dollars	<u>1,727,612</u>	<u>1,739,661</u>
	2,613,984	2,625,744
Short-term notes-		
Payable in Canadian dollars	10,960,981	10,954,923
Payable in United States dollars	<u>5,160,044</u>	<u>5,195,225</u>
	16,121,025	16,150,148
Medium-term notes-		
Payable in Canadian dollars-		
5%	32,126	32,110
5 3/8%	51,053	50,922
5 7/8%	262,991	262,892
Payable in United States dollars-		
5%	671,210	674,576
5 1/4%	<u>705,694</u>	<u>709,112</u>
	1,723,074	1,729,612
Forward	\$20,458,083	\$20,505,504

	Forward	\$20,458,083	\$20,505,504
Accrued interest and redemption premium on long-term notes:			
Accrued interest-			
Payable in Canadian dollars-			
Series B	6 1/2%	360,744	338,595
Series C	5 3/4%	64,793	61,702
Series D	5 3/4%	43,196	41,134
Series E	6 1/4%	63,610	60,163
Series F	6 1/4%	15,902	15,040
Series G	6 1/4%	15,902	15,040
Series H	6%	82,771	78,007
Series I	6%	615,134	579,729
Series O	6 1/8%	864,088	809,511
		<u>2,126,140</u>	<u>1,998,921</u>
Payable in United States dollars-			
Series A	6 1/2%	2,079,145	1,954,073
Series J	6%	1,151,213	1,086,797
Series K	6%	767,470	724,526
Series L	6%	954,652	901,122
Series M	6%	1,337,374	1,262,191
Series N	5 3/4%	3,898,494	3,689,140
Series P	6%	819,165	772,646
Series Q	6%	4,706,261	4,438,549
Series R	5 7/8%	2,940,260	2,776,646
		<u>20,780,174</u>	<u>19,604,611</u>
		<u>2,013,938</u>	<u>2,018,146</u>
Redemption premium			
		<u>22,794,112</u>	<u>21,622,757</u>
		<u>\$43,252,195</u>	<u>\$42,128,261</u>

5. Capital taxes:

The Company has been assessed capital taxes by the Province of Ontario for the years 1961 to 1964 and 1966 to 1970 in the amount of approximately \$180,000, which exceeds income taxes recoverable in respect of the years 1961 through 1965 by approximately \$32,000. On February 19, 1973 the Company appealed the assessments to the Supreme Court of Ontario. No provision has been made at December 31, 1972 for these additional taxes.

6. Compensation of the Receiver and Manager:

To December 31, 1972 the Court has approved the payment of six interim awards of compensation aggregating \$3,490,000 to the Receiver and Manager covering services rendered to September 30, 1972. No provision has been made for any further compensation to the Receiver and Manager.

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1 (416) 863-1133 Telex 02-2246

April 25, 1973

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1972, the Statement of Deficit as at June 17, 1965, the date when the Company went into receivership, as adjusted to December 31, 1972, the Statement of Deficit for the period from June 18, 1965 to December 31, 1972 while the operations of the Company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values.

In our opinion these financial statements present fairly the deficiency in the net assets as at December 31, 1972 and the changes in the deficit accounts and the loss for the year then ended.

Price Waterhouse & Co.
Chartered Accountants

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1972

Assets under the control of the Receiver and Manager:

Cash		\$ 219,590
Short-term investments, maturing within one year, at cost plus accrued interest (including \$4,375,791 (U.S. \$4,397,780) payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	\$ 4,643,844	
Guaranteed investment certificate of Canadian trust company	<u>3,030,501</u>	
		7,674,345
Investment in and advances to Lucayan Beach Hotel and Development Limited (Note 2)		5,447,744
Estimated realizable value of advances to subsidiary and former subsidiary companies (Note 3)		<u>2,781,176</u>
		16,122,855
Deduct: Accounts payable and accrued liabilities		<u>152,721</u>
Estimated realizable value of net assets under the control of the Receiver and Manager		15,970,134
Deduct: Accrued interest and redemption premium payable on senior debt (Note 4)		<u>43,252,195</u>
Deficiency in net assets		<u>\$27,282,061</u>
Represented by:		
Capital stock		\$14,455,087
Deficit-		
As at June 17, 1965 as adjusted to December 31, 1972	\$30,914,335	
For the period from June 18, 1965 to December 31, 1972	<u>10,822,813</u>	
		<u>(41,737,148)</u>
		<u>\$27,282,061</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
AS ADJUSTED TO DECEMBER 31, 1972

Balance at June 17, 1965 as adjusted to December 31, 1971	\$30,708,631
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Add:

Adjustment during the year relating to the assets and liabilities at June 17, 1965, representing an excess of the estimated realizable value of advances to subsidiary and former subsidiary companies at December 31, 1971 over the amounts received (or estimated to be received)	\$ 18,204
Sixth interim award of compensation to the Receiver and Manager (Note 6)	165,000
Legal expenses of the Receivership	<u>22,500</u>
	<u>205,704</u>

Deficit at June 17, 1965 as adjusted to December 31, 1972	<u>\$30,914,335</u>
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STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1972
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE
CONTROL OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1971	\$10,323,407
Add: Loss for the year	<u>499,406</u>
Deficit at December 31, 1972	<u>\$10,822,813</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1972

Operating income:		
Interest on short-term investments		\$ 349,493
Interest on advances to Lucayan Beach Hotel and Development Limited		363,821
Other income		<u>1,098</u>
		714,412
Operating expenses:		
Audit	\$ 20,986	
Management fees to G.A.C. International Acceptance Corporation Limited		7,167
Other expenses		<u>8,932</u>
		37,085
Foreign exchange		<u>(139,946)</u>
		<u>(102,861)</u>
Excess of operating income over operating expenses before interest on notes		817,273
Interest on notes:		
Senior debt-		
Bank advances	719	
Short-term	8,156	
Medium-term	3,401	
Long-term	<u>1,308,156</u>	
		<u>1,320,432</u>
		(503,159)
Interest charged on advances to wholly-owned subsidiary companies	1,201,184	
Less: Provision for the net loss of these companies for the year ended December 31, 1972	<u>1,197,431</u>	
		<u>3,753</u>
Loss for the year		<u><u>\$ 499,406</u></u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1972

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets and the business and assets of its wholly-owned subsidiaries are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$100.50) as at December 31, 1972.

2. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1972 were as follows:

Balance at December 31, 1971		\$6,906,289
Deduct:		
Repayment of advances (net)		
(U.S. \$1,428,860)	\$1,427,945	
Foreign exchange adjustment	<u>30,600</u>	
		<u>1,458,545</u>
Balance at December 31, 1972		<u>\$5,447,744</u>
Allocated as follows:		
	<u>U.S.</u>	<u>Canadian</u>
Advances to assist Lucayan in meeting its current obligations	\$1,895,396	\$1,885,920
Debentures purchased, shown at their face amount	<u>1,800,000</u>	<u>1,791,000</u>
	<u>\$3,695,396</u>	3,676,920
Balance allocated to the holding of 63.1% of the outstanding shares of Lucayan		<u>1,770,824</u>
		<u>\$5,447,744</u>

The Receiver and Manager also controls a further 30.7% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S. \$600,000. The estimated realizable value of these securities, amounting to approximately \$1,468,000, is included in the estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited (Note 3).

In October 1969 Lucayan sold all of its properties and its interest in subsidiary companies for a gross consideration of U.S. \$12,600,000, of which \$1,000,000 was received on closing in December 1969 with the balance payable over a period of fifteen years to 1984. As security Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan. The promissory notes in the amount of U.S. \$2,600,000 have been paid, and blended payments of principal and interest are being made in accordance with the terms of the 9% debenture.

The indicated value of Lucayan's net assets as shown by its audited financial statements as at December 31, 1972, exceeds the carrying value of the total Lucayan investment in the accounts at December 31, 1972 by approximately \$940,000.

3. Advances to subsidiary and former subsidiary companies:

The following amounts are estimated to be recoverable arising out of advances to subsidiary and former subsidiary companies:

Subsidiary companies-	
Adelaide Acceptance Limited	\$ 8,796
Atlantic Acceptance (Toronto) Limited	(50)
Commodore Factors Limited	(50)
The Premier Finance Corporation Limited - In Receivership	83,797
Former subsidiary companies-	
Commodore Sales Acceptance Limited	2,376,897
Atlantic Finance Corporation Limited	<u>311,786</u>
	<u>\$2,781,176</u>

The approximate values of the underlying assets supporting these balances are shown below:

Cash and short-term investments, primarily in the hands of trustees of bankrupt estates	\$ 440,000
Shares and debentures of Lucayan Beach Hotel and Development Limited (Note 2)	1,468,000
Receivable from General Acceptance Corporation in respect of the sale of the shares of Atlantic Finance Corporation Limited	311,000
Mortgages receivable, primarily due in 1973	344,000
Estimated income taxes recoverable	83,000
Other assets	<u>135,176</u>
	<u>\$2,781,176</u>

4. Accrued interest and redemption premium payable on senior debt:

The holders of senior notes were paid the principal amount of their notes during 1971. The accrued interest and redemption premium payable at December 31, 1972 in respect of the various classes of the senior notes is set out below:

Accrued interest on short and medium-term notes:

Bank advances, secured by short-term notes-

Payable in Canadian dollars	\$ 886,372	
Payable in United States dollars	<u>1,727,612</u>	\$ 2,613,984

Short-term notes-

Payable in Canadian dollars	10,960,981	
Payable in United States dollars	<u>5,160,044</u>	16,121,025

Medium-term notes-

Payable in Canadian dollars-		
5%	32,126	
5 3/8%	51,053	
5 7/8%	262,991	
Payable in United States dollars-		
5%	671,210	
5 1/4%	<u>705,694</u>	
		<u>1,723,074</u>
		20,458,083

Accrued interest and redemption premium on long-term notes:

Accrued interest-

Payable in Canadian dollars-	
Series B 6 1/2%	360,744
Series C 5 3/4%	64,793
Series D 5 3/4%	43,196
Series E 6 1/4%	63,610
Series F 6 1/4%	15,902
Series G 6 1/4%	15,902
Series H 6%	82,771
Series I 6%	615,134
Series O 6 1/8%	<u>864,088</u>
	2,126,140

Payable in United States dollars-

Series A 6 1/2%	2,079,145
Series J 6%	1,151,213
Series K 6%	767,470
Series L 6%	954,652
Series M 6%	1,337,374
Series N 5 3/4%	3,898,494
Series P 6%	819,165
Series Q 6%	4,706,261
Series R 5 7/8%	<u>2,940,260</u>
	20,780,174

Redemption premium

<u>2,013,938</u>	<u>22,794,112</u>
	<u>\$43,252,195</u>

5. Capital taxes:

The Company has been assessed capital taxes by the Province of Ontario for the years 1961 to 1964 and 1966 to 1970 in the amount of approximately \$180,000, which exceeds income taxes recoverable in respect of the years 1961 through 1965 by approximately \$32,000. On February 19, 1973 the Company appealed the assessments to the Supreme Court of Ontario. No provision has been made at December 31, 1972 for these additional taxes.

6. Compensation of the Receiver and Manager:

To December 31, 1972 the Court has approved the payment of six interim awards of compensation aggregating \$3,490,000 to the Receiver and Manager covering services rendered to September 30, 1972. No provision has been made for any further compensation to the Receiver and Manager.

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1 (416) 863-1133 Telex 02-2246

April 25, 1973

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1972, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1972, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1972, while the operations were under the control of the Receiver and Manager, in which is incorporated a Statement of Loss for the year ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in the note to the Statement of Deficiency in Net Assets, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge.

In our opinion these financial statements present fairly the deficiency in net assets of the Company as at December 31, 1972, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.
Chartered Accountants

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1972

Estimated realizable value of assets under the
control of the Receiver and Manager available
for creditors as of June 17, 1965:

Estimated income taxes recoverable \$ 83,797

Deduct: Advances from Atlantic Acceptance
Corporation Limited

2,843,546

Deficiency in net assets to meet outstanding
advances from Atlantic Acceptance
Corporation Limited

2,759,749

Add: Other accounts payable and accrued liabilities

10,630

Deficiency in net assets

\$ 2,770,379

Represented by:

Capital stock

\$ 185,618

Deficit-

As at June 17, 1965 as adjusted to December 31,
1972

\$1,567,187

For the period from June 18, 1965 to
December 31, 1972

1,388,810

(2,955,997)

\$ 2,770,379

Note: Atlantic Acceptance Corporation Limited has been in Receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 28, 1965 under an order issued by the Supreme Court of Ontario.

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1972

Deficit at June 17, 1965 as adjusted to December 31, 1971	\$1,499,404
Add: Adjustment during the year relating to the assets at June 17, 1965- Decrease in estimated income taxes recoverable	<u>67,783</u>
Deficit at June 17, 1965 as adjusted to December 31, 1972	<u><u>\$1,567,187</u></u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1972
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

Deficit for June 18, 1965 to December 31, 1971	\$1,209,670
Add: Loss from the year ended December 31, 1972, represented by interest on advance from Atlantic Acceptance Corporation Limited (\$178,994) and capital tax (\$146)	<u>179,140</u>
Deficit as at December 31, 1972	<u><u>\$1,388,810</u></u>

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1 (416) 863-1133 Telex 02-2246

April 25, 1973

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1972, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1972, the Statement of Deficit for the period from June 18, 1965 to December 31, 1972 while the operations of the Company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of the note receivable has been determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivable, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comment in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.
Chartered Accountants

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1972

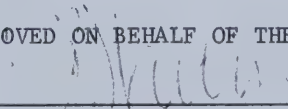
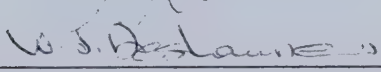
ASSETS

Cash	\$ 846
Note receivable, at estimated realizable value (Note 2)	<u>8,000</u>
	<u>\$ 8,846</u>

LIABILITIES

Accrued liability	\$ 50
Advances from Atlantic Acceptance Corporation Limited (Note 1)	<u>5,372,195</u>
	5,372,245
Capital stock and deficit:	
Capital stock-	
Authorized-	
20,500 7% cumulative redeemable preference shares with a par value of \$10 each	
25,000 common shares of no par value	
Issued and fully paid-	
17,000 preference shares	\$ 170,000
10,103 common shares	<u>10,103</u>
	180,103
Deficit-	
As at June 17, 1965 as adjusted to December 31, 1972	\$3,380,644
For the period from June 18, 1965 to December 31, 1972	<u>2,162,858</u>
	<u>5,543,502</u>
	<u>(5,363,399)</u>
	<u>\$ 8,846</u>

APPROVED ON BEHALF OF THE BOARD:


 _____ Director

 _____ Director

ADELAIDE ACCEPTANCE LIMITED

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1972

Deficit at June 17, 1965 as adjusted to December 31, 1971	\$3,375,967
Add: Adjustment during the year relating to the assets at June 17, 1965- Decrease in estimated income taxes recoverable	<u>4,677</u>
Deficit at June 17, 1965 as adjusted to December 31, 1972	<u><u>\$3,380,644</u></u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1972
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1971	\$1,828,479
Add: Loss for the year ended December 31, 1972	<u>334,379</u>
Deficit as at December 31, 1972	<u><u>\$2,162,858</u></u>

ADELAIDE ACCEPTANCE LIMITED

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1972

Income:		
Gain in foreign exchange		\$ 4,133
Expenses:		
Capital taxes	\$50	
Bank charges	<u>2</u>	
		<u>52</u>
Excess of income over expenses before interest charges		4,081
Interest on advances from parent company		<u>338,460</u>
Loss for the year		<u><u>\$334,379</u></u>

ADELAIDE ACCEPTANCE LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1972

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$100.50) as at December 31, 1972.

2. Note receivable:

The Company's debtor is in bankruptcy and every effort is being made to collect the outstanding account as quickly as is practicable in the circumstances.

The estimated realizable value of the receivable has been arrived at after making an allowance for any loss which may be sustained on realization of the account. This allowance may be greater or less than the amount which might ultimately be required to provide for any loss on realization.

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1 (416) 863-1133 Telex 02-2246

April 25, 1973

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited In Receivership) as at December 31, 1972 in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1972 while the operations of the Company were under the control of the Receiver and Manager of the parent company and a Statement of Loss for the year ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the Balance Sheet presents fairly the financial position of the Company as at December 31, 1972, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.
Chartered Accountants

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary
of Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1972

	ASSETS	\$ Nil
		<u> </u>
	LIABILITIES	
Accrued liability		\$ 50
Advances from Atlantic Acceptance Corporation Limited		<u>247,332</u>
		247,382
Capital stock and deficit:		
Capital stock-		
Authorized-		
40,000 shares without par value		
Issued and fully paid-		
3 shares		\$ 3
Deficit-		
As at June 17, 1965, the date when the parent company went into receivership, as adjusted to December 31, 1972 (no change during the year)	\$125,638	
For the period from June 18, 1965 to December 31, 1972 while the operations of the Company were under the control of the Receiver and Manager of the parent company:		
Balance as at December 31, 1971	\$106,129	
Loss for the year ended December 31, 1972, represented by interest on advances from the parent company (\$15,563) and capital tax (\$55)	<u>15,618</u>	
Balance as at December 31, 1972	<u>121,747</u>	
		<u>247,385</u>
		<u>(247,382)</u>
		<u>\$ Nil</u>

APPROVED ON BEHALF OF THE BOARD:

Director

W. D. Deshaune
Director

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1 (416) 863-1133 Telex 02-2246

April 25, 1973

AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1972, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1972, the Statement of Deficit for the period from June 18, 1965 to December 31, 1972 while the operations of the Company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Loss for the year ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972, the changes in the deficit accounts for the year then ended and the loss for the year.

Price Waterhouse & Co.

Chartered Accountants

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1972
(stated in United States dollars)

ASSETS

\$ Nil

LIABILITIES

Accrued liability \$ 50

Advances from Atlantic Acceptance
Corporation Limited (Canadian
\$10,617,180) (Note) 10,670,266
10,670,316

Capital stock and deficit:

Capital stock-

Authorized- 200 shares without par value

Issued- 100 shares \$ 10,000

Deficit-

As at June 17, 1965 as adjusted
to December 31, 1972

\$6,346,233

For the period from June 18,

1965 to December 31, 1972

4,334,083

10,680,316

(10,670,316)

\$ Nil

Note: Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors have been liquidated in satisfaction of this charge.

APPROVED ON BEHALF OF THE BOARD:

[Signature] Director

[Signature] Director

COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1972
(stated in United States dollars)

Deficit at June 17, 1965 as adjusted to December 31, 1971	\$6,343,886
Add: Adjustment during the year ended December 31, 1972 relating to the assets and liabilities at June 17, 1965- Amount of the settlement of a claim in 1972 in excess of the estimate accrued at December 31, 1971	<u>2,347</u>
Deficit at June 17, 1965 as adjusted to December 31, 1972	<u><u>\$6,346,233</u></u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1972
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED
(stated in United States dollars)

Deficit from June 18, 1965 to December 31, 1971	\$3,590,700
Add: Loss for the year ended December 31, 1972	<u>743,383</u>
Deficit as at December 31, 1972	<u><u>\$4,334,083</u></u>

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1972
(stated in United States dollars)

Expenses:	
Loss in foreign exchange	\$ 68,816
Miscellaneous	<u>52</u>
Expenses before interest charges	68,868
Interest on advances from Atlantic Acceptance Corporation Limited	<u>674,515</u>
Loss for the year	<u><u>\$743,383</u></u>

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

L. CROPPER
A. H. BRIGGS
T. GORMAN
E. C. GRINDROD
R. D. MOYLE

P.O. BOX F-2415
LUCAYAN BUILDING
THE MALL
FREEPORT · BAHAMAS

CABLES: PRICEWATER FREEPORTBAHAMAS
TELEPHONE (809) 352-7801

THE DIRECTORS AND SHAREHOLDERS
LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

We have examined the accompanying balance sheets of Lucayan Beach Hotel and Development Limited and the related statements of income and deficit and of changes in financial position for the year ended December 31, 1972 and the period from October 1, 1970 to December 31, 1971. We have maintained the accounting records of the company for the periods under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

In previous years the Company had not maintained detailed registers of property, plant and equipment and had valued certain land without independent appraisal and we were unable to verify the carrying costs of such items or their existence as it related to retirements, replacements and obsolescence. The land valuation reserve and other capital reserves were used in 1965 to re-organise the Share Capital of the Company and to write off initial operating losses. Further evidence available indicates that certain transactions entered into during 1965 relating to the acquisition of certain fixed assets were not on an arms length basis.

Accordingly we do not express an opinion on the financial statements taken as a whole, however, in our opinion all accounts other than those which may be affected by the above (which include share capital and net deficit) are presented so as to show a true and fair view of the state of affairs of the Company at December 31, 1972 and 1971 and of its operations for the periods then ended.

Price Waterhouse & Co.
Chartered Accountants

15th
February, 1973
Freeport, Bahamas.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

BALANCE SHEET
(Stated in United States dollars)

December 31,
1972 1971

ASSETS

CURRENT ASSETS

Cash	\$ 12,766	\$ 133,331
Accounts receivable	28,770	25,825
Current portion of long term receivables (Note 2)	<u>237,877</u>	<u>1,040,962</u>
	<u>279,413</u>	<u>1,200,118</u>

LONG TERM RECEIVABLES (less current
portion) (Note 2)

<u>8,224,889</u>	<u>8,402,766</u>
<u>\$ 8,504,302</u>	<u>\$ 9,662,884</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

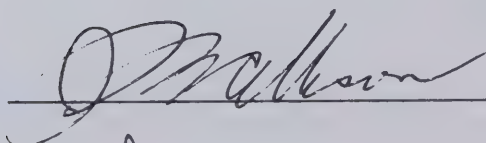
Accounts payable	\$ 398,615	\$ 524,664
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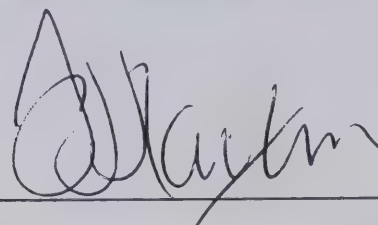
LOANS (Note 3)

<u>4,724,695</u>	<u>6,063,566</u>
------------------	------------------

SHAREHOLDERS' EQUITY

Share capital - authorised, issued and fully paid 10,000,000 shares of B\$.72¢ each	<u>7,056,000</u>	<u>7,056,000</u>
Deficit	<u>(3,675,008)</u>	<u>(3,981,346)</u>
	<u>3,380,992</u>	<u>3,074,654</u>
	<u>\$ 8,504,302</u>	<u>\$ 9,662,884</u>





)
)
) Directors
)
)
)

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF INCOME AND DEFICIT
(Stated in United States dollars)

	Year ended December 31, 1972	Period from October 1, 1970 to December 31, 1971
Interest income	\$ 779,151	\$ 1,113,390
Less: Interest expense	<u>452,224</u>	<u>733,106</u>
	326,927	380,284
Less: Administrative and general expenses	<u>20,589</u>	<u>27,522</u>
NET INCOME FOR THE YEAR/PERIOD	306,338	352,762
DEFICIT AT BEGINNING OF YEAR/PERIOD	<u>(3,981,346)</u>	<u>(4,334,108)</u>
DEFICIT AT END OF YEAR/PERIOD	<u><u>\$(3,675,008)</u></u>	<u><u>\$(3,981,346)</u></u>
NET INCOME PER SHARE	<u>\$0.03</u>	<u>\$0.04</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION
(Stated in United States dollars)

	Year ended December 31, 1972	Period from October 1, 1970 to December 31, 1971
Financial resources were provided by:		
Net income being working capital provided by operations for the year/period	\$ 306,338	\$ 352,762
Decrease in long term receivables	<u>237,877</u>	<u>1,098,924</u>
	<u>544,215</u>	<u>1,451,686</u>
Financial resources were used for:		
Reduction of loans payable	<u>1,338,871</u>	<u>1,418,871</u>
(Decrease) increase in working capital for the year/period	<u>\$ (794,656)</u>	<u>\$ 32,815</u>

Analysis of Changes in Working Capital

Increase (decrease) in current assets		
Cash	\$ (120,565)	\$ 57,485
Accounts receivable	2,945	(49,912)
Current portion of long term receivables	<u>(803,085)</u>	<u>(86,107)</u>
	<u>(920,705)</u>	<u>(78,534)</u>
Decrease in current liabilities		
Accounts payable	<u>126,049</u>	<u>111,349</u>
(Decrease) increase in working capital for the year/period	<u>\$ (794,656)</u>	<u>\$ 32,815</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL

The Company, which is incorporated under the laws of the Commonwealth of the Bahama Islands, until September 30, 1969 owned the Lucayan Beach Hotel and ancilliary facilities in Freeport, Grand Bahama Island. Effective October 1, 1969 the Company sold all of its assets and its interest in its subsidiary companies for a gross consideration of \$12,600,000 a portion of which is still outstanding as described in Note 2 below.

NOTE 2 - LONG TERM RECEIVABLES

	December 31,	
	<u>1972</u>	<u>1971</u>
9% Promissory note - payable January, 1972	\$ -	\$ 800,000
9% Debenture payable over 20 years to 1989	8,445,453	8,647,101
8% Debenture payable in monthly instalments to May, 1973	<u>17,313</u>	<u>56,627</u>
	8,462,766	9,503,728
Less: Amounts due within one year	<u>237,877</u>	<u>1,040,962</u>
	<u>\$8,224,889</u>	<u>\$8,462,766</u>

The above 9% debenture is secured on all property, present and future of the purchaser and its subsidiaries, at present primarily the assets sold, as described in Note 1.

NOTE 3 - LOANS

The Company has outstanding the following loan from the Receiver and Manager of Atlantic Acceptance Corporation Limited:

	December 31,	
	<u>1972</u>	<u>1971</u>
Secured by Debentures with a floating charge on the assets of the company repayable on demand, bearing interest at 9% per year	<u>\$4,724,694</u>	<u>\$6,063,566</u>

